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ADMINISTRATION OF LOCAL ADMISSIONS, CIGARETTE, GASOLINE, AND AUTO LICENSE TAXES

To what extent have cities adopted admissions, cigarette, gasoline, and auto license taxes and how are these taxes administered?

Many cities are adopting various nonproperty taxes to supplement the property tax. Admissions taxes are especially popular and constitutes one of the best local taxes that can be adopted. Cigarette taxes have been more popular in recent years than either gasoline or auto license taxes. St. Louis has adopted all four taxes, Kansas City, Mo., three, and several cities two. The purpose of this report is to present information that will be helpful to the officials of cities that may adopt any of these taxes.

Before adopting a new nonproperty tax the officials of a given city should analyze local conditions in an effort to ascertain the type of revenue best adapted to local use. Other questions are: Will the new tax bring in the desired revenue? Will it make the total tax burden more equitable? Will it cost too much to collect? Will it annoy or inconvenience the taxpayer? Is it politically feasible? Officials also should examine the long-run implications of a particular revenue measure, and in so far as possible anticipate administrative difficulties that may arise, the organization for the new tax, and the proper records. Finally, the public should know the advantages and disadvantages of alternative proposals considered by the council before final action is taken. Citizens do not readily accept any new tax unless the reasons for it are fully appreciated and understood.

ADMISSIONS TAXES

Extent of Use. Taxes upon admissions to theaters, sports events, and other forms of entertainment appeal to both large and small cities and during the next several years numerous cities doubtless will adopt such taxes. Included among the approximately 200 cities that have already done so, are Chicago, Pittsburgh, St. Louis, Norfolk, Richmond, Bakersfield (Calif.), and many others. Admissions taxes have been approved by the voters in Atlantic City, N.J., Chico, Calif., and will be submitted to a referendum in St. Paul in March, 1948.

When the state of Washington in 1943 repealed its tax on admissions and gave cities permission to levy such taxes, 65 cities, including all those over 10,000, adopted this tax. When Ohio in 1947 repealed its 3 per cent general admissions tax, 79 cities, including Akron, Cincinnati, and Cleveland, promptly adopted the tax. In 1947 Maryland, New Jersey, New York, Pennsylvania, and Virginia enacted laws authorizing some or all cities to levy local admissions taxes. The New York law authorizes counties and New York City to impose taxes not in excess of 5 per cent of admissions to theaters and like places of amusement. Cities in some states levy admissions taxes under home rule powers and in other states cities have achieved the same result through license fees.

Tax Base. Bases used include a percentage of the gross receipts, a stated amount per ticket, a fixed amount on stated portions of the admission charge such as one cent on each 10 cents or fraction thereof, a flat percentage of the admission charge, and a sales or luxury tax (as in Atlantic City). The preferred base, according to some municipal finance authorities, is a graduated tax in even cents in each bracket. In other words, instead of making the tax a fixed percentage of the

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admission charge it would be one cent for 10 cents admission (or other amount) and one cent for each additional 10 cents charge or fraction thereof. On tickets sold elsewhere than at the ticket or box office at a price in excess of the established price the tax generally is 10 per cent of the amount of the excess, in addition to the regular tax. Tickets sold by proprietors, managers, or employees of any places of amusement in excess of the regular price are taxed 50 per cent of the amount of the excess.

Events Subject to Tax. In a few cities, usually the smaller cities, the tax applies only to theater admissions. In most cities, however, the tax applies to every type of amusement or entertainment, whether public or private; all sports events; night clubs and cabarets where admission is a hidden charge; circuses and amusement parks; and other places as specified in detail in such ordinances as those of Philadelphia and Seattle. The tax also applies in some cities to initiation fees and membership dues.

Most cities generally provide that the following persons, if admitted free, are exempt from the tax: public officials on official business; officers or employees of the operating concern; reporters and photographers whose special duties are the sole reason for their presence; and children under 12 years of age. Ohio cities generally exempt from the tax any admissions charged exclusively for the benefit of (1) religious, educational, or charitable institutions or socities, (2) military and naval forces and similar organizations, (3) members of the local police and fire departments, and (4) the general revenue of the city (except that the tax must be paid where the admission price is more than a stated amount, usually 41 cents or more). Some cities exempt admissions of less than 10 cents, and Atlantic City exempts admission charges made by any church or "bona fide purely charitable association not conducted for profit."

Rate and Revenue. Tax rates range from 2 to 10 per cent of the admission charge. Philadelphia in 1946 increased its rate from one cent for each 25 cents to one cent for each 10 cents admission charge, and St. Louis recently increased its tax from 3 to 5 per cent on admissions to sports events and adopted a 5 per cent gross receipts tax on theaters. Cleveland anticipates $700,000 a year revenue from a 3 per cent admissions tax, and Chicago $3,500.000 from a 3 per cent tax. In 1947 Norfolk received $414,150 from a one cent tax on each 10 cents; Richmond $210,650 from a tax of one cent for each 20 cents of the charge or fraction thereof; Stockton, Calif., $93,943 from a two-cent per ticket tax; Spokane, Wash., $142,454 from one cent for each 20 cents charge; and Seattle $564,962 from 5 per cent of admissions charged.

Among other cities recently adopting admissions taxes, the rate in most Ohio cities is 3 per cent which is the same as the tax abandoned by the state. Bloomington, Ill., adopted a 4 per cent tax on the gross receipts for admissions to theaters, and Charleroi, Pa., recently adopted a 2 per cent tax on all admissions to theaters, entertainments, dances, exhibitions, and sports events. In Chico and Colton, Calif. the levy is three cents on each admission; Sylacauga, Ala., one cent on each 10 cents, $22,000 a year; Puyallup, Wash., 5 per cent, $40,000 a year; Panama City, Fla., one cent on each 10 cents of admission; Suffolk, Va., 10 per cent; Wenatchee, Wash., one cent on each 20 cents admission; Bakersfield, Calif., one cent on each ticket over 15 cents; and New Orleans 2 per cent on theaters and 5 per cent on other admissions raising over $500,000 a year.

Registration or License Fee. Any person conducting or operating any place to which admission is charged is required to make application for a certificate of registration (usually $1 fee) which must be posted in a conspicuous place

in each ticket or box office where tickets are sold. Some cities require owners or operators of amusement places to pay an annual license fee in addition to the admissions tax which is levied on the persons buying the admissions. In Norfolk the annual license fee is one-half of one per cent of the gross profits. In Spokane theaters pay from $50 to $200 a year plus a charge of 20 cents a seat, dance halls $75, cabarets $300, circuses $65 to $500, and so on. In Seattle places of entertainment pay license fees ranging from $25 a year to $50 a day.

Tax Returns. The admissions tax is a tax on the person who goes to the place of entertainment and not upon the place of business. The admissions tax of San Bernardino, Calif., was a business license tax and was held invalid because the tax was out of proportion to the taxes on other businesses. But the burden of collecting and remitting the tax is upon the owner or operator who receives payment for the admission charge. Returns are made monthly on prescribed report forms (bi-monthly in Washington cities). The forms show the amount of the tax upon admissions during the preceding month and are transmitted with remittance to the designated city official. Examples of good report forms are those used by Seattle, Spokane, and Norfolk. In addition to making returns on a prescribed form, the proposed St. Paul ordinance provides that a copy of the return made to the federal collector of internal revenue, as provided by Chapter 10 of the internal revenue code, also shall be filed with the finance director.

When any theater, circus, show, exhibition, or entertainment is of a temporary nature the city may require a report and remittance of the tax immediately upon the collection of the same. Perhaps a better method is the Norfolk plan of requiring a deposit, before a license is issued, sufficient to cover the estimated admission tax as security for payment. At colleges and high schools where students are admitted by showing student cards the city collects from the athletic department of the college or school.

Cities usually require that tickets or cards of admission to any place must have printed thereon the price of admission, the tax based on the admission, total price including tax, the name of the place to which admission is granted, and serial numbers. Federal and other taxes, if any, must be shown separately.

Enforcement. The enforcement of collection is made easier by requiring a license or registration of all regular and temporary places of entertainment. This gives the police a basis for checking and also provides the finance officer with a basis for control. If the tax is not paid promptly a telephone call generally gets results. The city finance officer should have authority to declare the tax upon temporary or itinerant places of amusement immediately due and payable and collect the same when in his discretion he believes there is a possibility that the tax imposed will not be paid.

A penalty is added to the tax for failure to pay in full and for delinquent payment. Norfolk adds interest at the rate of one and one-half per cent per month and if the tax is unpaid for one month after due a penalty of 10 per cent is added. Philadelphia adds interest at one per cent per month or a factional part of a month, plus an additional 10 per cent penalty for failure to make the required report and payment. Atlantic City adds one per cent interest per month and a 5 per cent penalty. Failure to pay the tax or to comply with the tax ordinance is punishable by a fine of from $5 to $500 in Norfolk and Richmond, up to $300 and 90 days in jail in Seattle, up to $100 and costs in Philadelphia, $200 or 90 days or both in Atlantic City, $25 to $100 for first offense and $100 to $500 for second offense or jail or both in Ohio cities.

Inquiry among 10 selected cities reveals little or no difficulty in enforcing admissions taxes and no administrative difficulties. Richmond has received excellent cooperation from the local collector of internal revenue, and has found that

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requiring a bond for one-night and other transient events has helped to enforce collections. Stockton, Calif., has had to add the 10 per cent penalty several times for late payments. Enforcement of collection from temporary or transient entertainments has been facilitated in Stockton by requiring a deposit equal to the estimated tax in advance of the event. Norfolk has had difficulty in getting correct reports on sales of tickets and one man spends almost full-time in enforcement of the ordinance, making spot checks of regular amusement places, checking of serial numbers of tickets, and continuous inspection of each transient event.

Operators of theaters and other places should be required to retain any records that may be necessary to determine the amount of the tax and the city should have power to inspect such records at reasonable times. Some cities require retention of such records for two years (Norfolk, Richmond, Spokane), or three years (Atlantic City), or four years (Philadelphia).

Cost of Administration. The cost of administering the tax is less than one per cent of the gross receipts from the tax. Norfolk estimates the cost at one per cent or $4,200 a year. Stockton reports costs "very little" because no new employees were hired. Spokane reports $300 a year direct cost with no increase in employees; Richmond reports no cost except printing of forms and postage; Seattle estimates the cost at one per cent or $5,650 a year; and Ashtabula, Ohio, reports "none". The only city known to allow owners and operators a discount for collecting the tax is Philadelphia, where a 2 per cent discount is allowed from the amount of the tax if paid by the tenth of the month following that in which the tax is collected.

Appraisal. The admissions tax is an ideal local tax because it is easy to administer, cannot be readily avoided, and is not imposed on an essential commodity. It is easy to collect with a minimum of inconvenience and red tape to the taxpayer. This tax is a good one for reaching nonresidents and temporary elements in the resident population. The tax falls upon people who go to places of amusement that require many muncipal services such as fire and police protection and traffic control. An article in the Tax Review for January, 1948, makes a good case for exclusive local use of admissions taxes, pointing out that if cities would secure the revenue now obtained by the federal government from this source (more than $450,000,000 in 1947) it would add 18 or 20 per cent to municipal tax revenues. If and when the federal government should reduce or abandon this tax, municipalities should be ready to step in. But many cities are not waiting for federal action.

CIGARETTE TAX

Extent of Use. Cigarette taxes are imposed as excise or selective sales taxes but in some cities are called occupation taxes. The tax is always added to the retail price and passed on to the consumer. Usually the wholesaler, distributor, or retailer must also pay a business license fee. In a few cities the tax also applies to all other tobacco products.

Approximately 60 cities have local cigarette taxes, one-half of which adopted the tax in 1946 and 1947. The first cities to adopt this tax were Pensacola, Fla., in 1935, Kansas City, Mo., in 1938, and St. Louis in 1939. Other cities over 50,000 that have adopted this tax are Springfield and St. Joseph, Mo.; Baltimore, Md.; Miami, Fla.; Atlantic City, N.J.; Montgomery, Ala.; and Denver and Pueblo, Colo.

Cities of 10,000 to 50,000 include Anniston, Decatur, Florence, Gadsden, Selma, and Tuscaloosa, Ala.; Pensacola, Gainesville, and Panama City, Fla.; and Columbia, Jefferson City, Moberly, and Sedalia, Mo. Mobile County, Ala., has a one-cent and Jefferson County, Ala., a two-cent tax, the latter superceding the Bessemer and

Birmingham taxes, 75 per cent of the revenue being distributed to cities on the basis of population. More than one-half of the 60 cities have populations of less than 10,000, all of them being in Alabama, Florida, and Missouri except Grand Junction, Colo., which adopted this tax late in 1947. In addition to Grand Junction, other cities adopting the cigarette tax during 1947 include 12 cities in Alabama, three in Florida, and four in Missouri. District courts in Omaha, Neb., and Wheeling, W. Va., granted permanent injunctions against the enforcement of the tax.

Tax Base. In most of the 60 cities the tax applies only to cigarettes but in two Alabama cities (Montgomery and Opp) Jefferson County, Ala., Miami and Pensacola, Fla., and Baltimore the tax applies also to other tobacco products. The Baltimore ordinance adopted late in 1947 provides for a tax of one cent for each 20 cigarettes or fractional part thereof, a tax of one cent for cigars retailing from seven to 15 cents inclusive, two cents from 15 to 30 cents, and three cents on cigars selling for more than 30 cents. Baltimore also levies a tax on smoking or chewing tobacco at one cent on each 20 cents or fractional part thereof. The Jefferson County tax is two cents for 20 cigarettes and from one-half cent to three and one-half cents or more for smoking tobacco depending upon the weight of the package. Many Alabama cities levy their cigarette taxes in the police jurisdiction (within three miles of the corporate limits but not including the area of any other municipality) at one-half the city rate.

Tax Rate and Revenue. The amount of the tax is usually two cents per package for 20 cigarettes. The Denver one-cent tax was increased to two cents in 1946; Pensacola's one cent to two cents in December, 1947; Northport, Ala., from one cent to two cents in 1947; and in St. Louis the two cent rate to three cents on January 1, 1948. Of the 27 Alabama cities with cigarette taxes only four have a one cent rate. Most Florida cities measure the tax by the retail price of the tobacco before application of the tax. The tax is one cent for each 10 cents or fraction thereof of the retail price in Miami and Pensacola, while other Florida cities use various bases with the tax usually amounting to one and one-half cents per package, except in Gainesville, Fla., where the tax is two cents for a package of 20, four cents for a package of 21 to 40, and six cents for a package of more than 40 cigarettes. In St. Louis the new rate is $1.50 per 1,000 cigarettes (equal to three cents for 20 cigarettes). The Atlantic City rate is two cents for 20 cigarettes and a 3 per cent tax on packs of more than 20 and on all tobacco products.

The cigarette tax is an excellent revenue producer--$1.50 or more per capita per year on a two-cent tax. The amount of the tax per package and revenues for 1947, recently reported to the ICMA, for selected cities are:

City	Population 1940	Rate	1947 Revenue Total	Per Capita
Brookfield, Mo.	6,174	2¢	$ 10,000 est.	$ 1.62
Denver, Colo.	322,412	2¢	778,965	2.42
Gadsden, Ala.	36,975	2¢	100,000	2.71
Kansas City, Mo.	399,178	2¢	1,041,030	2.61
Miami, Fla.	172,172	2¢	722,181	4.19
Pensacola, Fla.	37,449	1¢	42,000	1.12
Pueblo, Colo.	52,162	1¢	65,000	1.25
Springfield, Mo.	61,238	2¢	96,585	1.57
St. Louis, Mo.	816,048	2¢	1,590,000	1.95
Tuscaloosa, Ala.	27,493	2¢	69,244	2.52

Cities with revenues of $15,000 to $25,000 a year include Chillicothe, Moberly, and Mexico, Mo.; Winter Haven, Fla., Opelika, Ala.; and Panama City, Fla. Among the cities adopting the tax in 1947 an annual revenue of $25,000 is anticipated in Grand Junction, Colo. at two cents per package, Gainesville, Fla., $38,000 at two cents, and Selma, Ala., $22,500 at one cent a package.

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Method of Collection. Nearly all cities require that special adhesive stamps evidencing payment of the tax be placed on each package of cigarettes and other tobacco that is taxed. Most cities place the burden of affixing the revenue stamps on the wholesaler or jobber but also make the retailer liable. Denver and Grand Junction permit the retailer to sell full cartons with the stamps affixed to the carton but most cities require the stamps to be affixed to each package. Grand Junction, Kansas City, St. Louis, and Springfield sell stamps to wholesalers, jobbers, and retailers at a discount of 10 per cent to cover the cost incurred in affixing the stamps, but Brookfield and Mexico, Mo., both smaller cities, sell only to retailers at a 10 per cent discount. Kansas City allows an additional one per cent where meter machines are used.

Miami sells stamps to wholesalers and jobbers at a 10 per cent discount and to retailers without discount, and Jefferson County, Selma, and Tuscaloosa, Ala., only to wholesalers at 10 per cent discount. Denver at first allowed an 8 per cent discount, but recently reduced it to 6 per cent. Atlantic City allows a 7½ per cent discount to jobbers and wholesalers. Marianna, Fla., has the largest discount, 15 per cent, but to wholesalers only. All Alabama cities allow a 10 per cent discount on the amount of stamps sold. Decatur allows such a discount if affixed by hand and 5 per cent, if by machine. Gainesville, Fla., allows 10 per cent plus an additional amount (if the tax is printed by meter machine) equal to the cost of the stamps to the city if stamps are used; stamps are not sold to retailers.

The discount rate in terms of percentage of stamp value should be converted for comparative purposes into cents per standard case of 10,000 cigarettes, because the actual discount allowed for affixing the stamps varies with the basic tax rate per package. Thus the discount rates in Miami and St. Louis are identical (10 per cent) and the distributor affixing the stamps in each city does the same amount of work, yet the one in St. Louis is compensated $1.50 per 10,000 cigarettes while the one in Miami gets $1 (500 packages of cigarettes per case). In Denver where the rate is 6 per cent the distributor gets 60 cents and in Kansas City where the rate is 10 per cent plus 1 per cent for metering he gets $1.10 for the same work. It would appear that a 10 per cent discount on a two-cent tax would be sufficient compensation.

Whenever possible the burden of affixing the tax stamps should be placed on wholesalers, jobbers, or other persons who supply sellers (retailers) in order to make the tax easier to administer. Wholesalers and jobbers generally use metering machines in lieu of actual tax stamps, the meters being under the control of the finance director. In Baltimore, Denver, Miami, and many Missouri cities the tax stamping machines of Pitney-Bowes, Inc., of Stamford, Conn.are used.

Cost of Stamps. Stamps are of the decalcomania type and are purchased by cities from large concerns such as the American Decalcomania Company (636 11th Avenue, New York City), the Dennison Manufacturing Company (Framingham, Mass.), and the Myercord Company (5323 West Lake Street, Chicago). Cost of the stamps depends much upon the number ordered, the price varying from 20, 21, and 25 cents per 1,000 stamps in Denver, St. Louis, and Miami, respectively, up to $1.50 or more per 1,000 stamps. Richmond, Mo., paid 85 cents per 1,000 stamps if $500 worth was bought. Grand Junction in January, 1948, paid 95 cents per 1,000 for the minimum quantity of 500,000 because the city expects that most of the cigarettes will be meter stamped. The price of five million decals was 40 cents per 1,000. Most cities prohibit the resale of stamps by the purchaser to any other person.

Annual License Fee. Most cities also require a license for carrying on the business of selling cigarettes. This fee is $7.50 in Denver; $15 in Tuscaloosa; $1 in Brookfield, Kansas City, and Springfield, Mo.; $1.65 per $100 valuation of stock plus $1.25 per $1,000 aggregate sales in St. Louis; $7.50 for retailers and $73.80 minimum for wholesalers in Miami; $15.50 in Selma, Ala.; $5 for wholesalers and $15 for retailers in Grand Junction, Colo.; and none in Gainesville, Fla. The city should prohibit wholesalers from selling to non-licensed retailers.

Enforcement. Retailers should be required to report monthly on the number of cigarettes received during the preceding month and the names of firms or persons from whom purchased. Retailers who purchase unstamped cigarettes should make application for permission and file a bond. The city should require that invoices of shipments received be kept by the wholesaler or retailer or both for a stipulated period (usually three years) and that such records are to be available to the finance director (or other officer) for examination or inspection. Dealers are required to put the tax stamps on each package within 24 hours (three days in some cities and one hour in Jefferson County), after receipt and prior to the sale of cigarettes, unless held for sale outside the city limits. In most cities every package must be stamped. The city may require that whenever cigarettes are shipped into the city the railroad company, express company, trucking company, or other public carrier shall file with the city a copy of the freight bill within 10 days after delivery of such shipment.

City officials should be empowered by the ordinance to examine books, records, invoices, and papers at the premises where cigarettes are placed, stored, sold, or offered for sale. The city should be authorized by ordinance to take possession of any other tobacco found in the possession of any wholesaler or dealer that is not properly stamped within the time required. Tobacco forfeited in this way is sold by the city and the tax due is deducted, plus a penalty of 50 per cent, and plus costs incurred in such proceedings. The balance, if any, is paid to the person in whose possession the tobacco was found. In addition, the violator is subject to fine or other penalties. Baltimore has a fine of not less than $5 nor more than $500 or imprisonment or both. Pensacola makes it mandatory for the municipal judge to assess a fine of $100 or jail or both for the first offense, and a fine of not less than $300 or jail for 60 days for the second offense. Each violation is a separate offense.

The ordinance should give the finance director or other city official power to prescribe and enforce rules and regulations relating to the methods and means to be used in affixing the stamps or use of meter machines, denomination and sale of stamps, delegation of his powers relative to administration and enforcement, and any other matter pertaining to the ordinance. The keys to the control of the counting devices of the tax stamp imprinting machines and meters should be kept by the city treasurer who also keeps a detailed record of the count of each of such machines.

Evasion. When the tax is first adopted there is considerable evasion and persons who live near the city limits or who live outside and work in the city will continue to evade the tax. Officials in Denver and Pensacola noted increased evasion when the tax was increased from one to two cents. Officials of most cities report there is very little bootlegging of cigarettes. St. Louis provides a penalty for "possessing and offering" unstamped cigarettes. In Kansas City, where bootlegging is estimated at less than 5 per cent, this practice was discouraged by making wholesalers instead of retailers responsible for paying the tax. Kansas City officials report that a new threat is the mail order business permitting five cartons to go through unstamped. Cities should adopt a use tax

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provision to cover intercity shipments; apparently St. Louis has such a provision. Evasion is made more difficult where the tax is collected on a county-wide basis and distributed to cities.

Cost of Administration. The annual cost of administering local cigarette taxes ranges from one per cent of the gross receipts of the tax in Kansas City, Miami, and Tuscaloosa to 2 per cent in St. Louis, 4 per cent in Brookfield, Mo., and 5 per cent in Springfield, Mo. Enforcement costs depend in no small measure upon the size of the tax base and not altogether on administrative efficiency. Costs are increased if the city deals with retailers as well as wholesalers. Finally, the discount allowed the distributor must be added to the above percentages. Administrative costs can be reduced if the tax is administered on a county-wide basis. City officials report that the cigarette tax is fairly easy to administer. In contrast, the report Federal, State and Local Government Fiscal Relations by a U. S. Treasury committee (1943) concludes that state administration was "relatively expensive and ineffective" (pp. 497-510).

Appraisal. The cigarette tax is relatively easy to administer while a tax on all tobacco is somewhat more difficult. Most cities report that such taxes have not encouraged purchases outside the city limits. This tax, like the gasoline tax, probably should be levied as a local supplement to the state-collected tax with the state collecting the local levy for the city. The plan used in Jefferson County, Ala., would seem to have many advantages for cities in that county. The county deducts 3 per cent for administration and distributes 75 per cent of the remainder monthly to cities on the basis of population. Approximately 73 per cent of the county's population reside in cities.

GASOLINE TAXES

Extent of Use. All but a dozen of the 275 cities taxing the sale of gasoline are located in three states: Alabama (175 cities), Missouri (58 cities), and New Mexico (30 cities). Local governments in 14 states are forbidden to levy motor fuel taxes. In eight states some or all local units are permitted to levy gasoline taxes: Alabama, Florida, Louisiana, Missouri, Nevada, New Mexico, Utah, and Wyoming. Florida has prohibited all except two or three cities from levying this tax. Few cities adopted the tax during the 1930's and only a few have done so in recent years, including Casper and Cheyenne, Wyo., and Jefferson County, Ala. in 1947.

Rate and Revenue. The amount of the tax ranges from one-fourth of one cent to two cents per gallon of gasoline sold and does not apply to kerosene and lubricating oils except in a few cities in Alabama. Approximately $2,250,000 a year is received by Alabama cities from local gasoline taxes which is exceeded in importance as a source of income only by the property tax and the income from alcoholic beverage sales, according to a report issued in March, 1947, by the Alabama League of Municipalities entitled "The Municipal Gasoline Tax in Alabama".

The one-cent per gallon tax in Jefferson County, Ala., is distributed to cities in the county on the basis of gasoline deliveries made inside the city limits. A two-cent per gallon tax in 1947 produced $414,386 for Mobile, Ala.; a one cent tax $1,300,000 for St. Louis; a one cent tax $966,000 for Kansas City (raised to one and one-half cents July 1, 1947); a one cent tax $45,000 in Santa Fe; a one-half cent tax $24,000 in Roswell, N. M.; a one cent tax $37,000 in Laramie, Wyo.; a one cent tax $45,000 in Columbia, Mo.; and a one cent tax $64,000 in Anniston, Ala.

Method of Collection. The gasoline tax generally is collected from wholesalers and bulk dealers but the retailer usually is held liable also. In St. Louis every person, firm, or corporation that stores in excess of 10 gallons or engages in the business of selling gasoline or other motor fuel and/or transports in excess of 10 gallons pays the tax.

Monthly returns are required except in Columbia and St. Louis, Mo., where quarterly returns are filed. The tax is paid when returns are filed and cities apparently have had little difficulty in convincing wholesalers that tax evasion does not pay. In St. Louis a few retailers sometimes buy from outside sources quantities of gas on which no tax has been paid but this practice has been discouraged by requiring retailers to report all purchases. Kansas City has encountered attempts by concerns to evade the tax by consigning the fuel to outside accounts and delivering in the city. Such evasion has been checked by careful auditing and by checking ports of entry for information. When the wholesaler pays the tax, he in turn bills the consumer or retailer on deliveries sold, stored, or transported for sale in the city.

Auditing the monthly returns is the biggest administrative job. St. Louis requires detailed reports of purchases and sales which are carefully checked; and the city also occasionally audits company records. Kansas City has had some difficulty in obtaining complete reports from distributors whose bulk plants are outside the city or state as well as from some local distributors. Kansas City makes audits as often as possible, especially when there is reason to suspect irregularities. Jefferson County, Ala., and Laramie, Wyo., make semi-annual audits of company records and Mobile makes spot checks. Santa Fe, N.M., does not make regular audits and during the past six years has had but three occasions to audit suspected concerns.

Exemptions. Exemptions from payment of the tax conform with the exemption from the state gasoline tax in Roswell and Santa Fe, N.M.; Laramie, Wyo.; and Columbia, Mo.; and Anniston and Mobile, Ala. Most cities exempt federal, state, and local governments from payment of the tax. But St. Louis allows no exemptions and has had difficulty with federal agencies. (The supreme court of Florida in U.S. v. Lee, 13 So. (2) 919, held that if the tax is levied directly and not merely as a sales tax, even sales made directly to the federal government are taxable.) Cheyenne exempts officials of the federal, state, and local agencies; deliveries made at the municipal airport for fueling aircraft; gasoline that is not sold, used, or distributed inside the city limits; gasoline on which a tax has previously been paid by some other persons; and gasoline. delivered by one wholesaler to another.

Enforcement. Some cities license the wholesalers, bulk dealers, and retailers as a means of enforcing honest tax payment. In Mobile, Ala., the annual license fee is $750; in Kansas City, Mo., $1; in Columbia, Mo., a merchant's license of $10 and up. Because the tax is considered a license tax in St. Louis no other tax is required except on the retailer if he chooses to buy gasoline city tax free. Jefferson County, Ala., requires every distributor to file a bond in the sum of twice the average monthly tax. Kansas City and St. Louis occasionally check state gasoline tax records as an aid in administering the tax locally.

The Cheyenne tax is an occupation tax on wholesale gasoline dealers who are required to keep a record of all gasoline imported into the city or refined, blended, or compounded within the city and its disposition by sale, use, disbution, or otherwise. Wholesalers are required to deliver with each consignment of gasoline to any dealer or other purchaser within the city a sales slip showing the number of gallons sold and the date of sale and delivery. The wholesaler and the dealer are required to retain their records for one year.

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Wholesalers who fail to pay the tax within the time required must pay in addition a penalty of 10 per cent plus interest at the rate of 6 per cent per year from the date the tax became due. The penalty in Alabama cities for delinquent payment generally is 10 or 20 per cent with some cities providing fines of from $1 to $100.

Cost of Administration. The annual cost of administering the gasoline tax is negligible. Officials of Kansas City, Mobile, and St. Louis estimate this cost at one-half of one per cent of the gross yield from the tax. Roswell and Santa Fe officials estimate the cost at one-tenth of one per cent, Columbia, Mo., at 2½ per cent, and Laramie at 5 per cent. In Jefferson County, Ala., the county stands all the expense of enforcement and collection.

Appraisal. The gasoline tax raises considerable revenue but it is objectionable from several points of view. The Municipal Finance Officers Association in a report issued in 1945 states "it would be unfortunate if the locally collected tax were greatly extended." The American Municipal Association in 1934 advised that local taxes on gasoline be avoided "except as a last resort." Among the reasons given are that it duplicates federal and state gasoline taxes, that it drives business outside the city limits, and that it is difficult to prevent tax evasion and bootlegging. The addition of local levies as supplements to the state gas tax would be preferable with the proceeds of the local levies returned to the cities. Another alternative would be greater sharing of state gas tax monies with localities.

The local gasoline tax, however, can be administered fairly successfully, It is easier to enforce in states like Alabama and Missouri where most cities have adopted the tax than in states where few cities have it. Levying the tax on a county-wide basis as in Jefferson County, Ala., would seem to be desirable in metropolitan areas. Most cities, however, have comparatively little difficulty because the tax is collected from wholesalers although the tax, like the admissions and cigarette taxes, is in fact a levy upon the consumer.

MOTOR VEHICLE LICENSE TAXES

Extent of Use. Cities in 13 states and counties in five states have authority to levy local motor vehicle license taxes or registration fees. The most recent state is New York which in 1947 authorized cities over 100,000 to impose such a tax if not used by the county. In nine other states only a few cities have local auto taxes and in most of the remaining states cities are denied authority to levy such taxes. More than 110 cities levy auto license taxes (see 1947 Municipal Year Book, p. 184), but only a few have adopted this tax since the end of the war.

Chicago raised its annual license fee from $8 to $10 for cars up to 35 horsepower and from $16 to $20 on cars over 35 horsepower. North Little Rock, Ark., increased its license from $3 to $5, and Norfolk, Va., late in 1947 adopted a new ordinance.

Basis, Rate, and Revenue. More than one-half of the cities that have motor vehicle licenses are found in Illinois and Missouri. The smaller cities in these states generally have a uniform fee of from $3 to $5 for all vehicles and cities of 5,000 to 10,000 receive from $1,000 to $16,000 a year revenue. The larger cities base their fees on horsepower. Rockford, Ill., gets $83,000 a year from its fee of $3 for 35 h.p. or less and $5 over 35 h.p., with truck licenses ranging from $4 up to 3,000 pounds weight to $25 for 24,000 pounds or more. Evanston, Ill., $5 up to 35 h.p. and $10 over 35 h.p., and $10 for trucks and buses with gross weight up to 3,000 pounds ranging up to $50 for 24,000 to 40,000 pounds. University

City and Kansas City, Mo., start at $2 for 12 h.p. or less with seven $1 or $2 steps up to $12 for 72 h.p. or more, raising about $41,000 in the first and $400,000 in the second city.

Virginia cities base their fees on gross weight. Richmond's fee is 20 cents per 100 pounds for private autos with the minimum fee $6, trucks from $12 to $40, and motorcycles $2.50. Norfolk's fee is 30 cents per 100 pounds with minimum of $6, trucks $12 for 1-ton up to $37.50 for 2½-ton capacity plus $7.50 for each one-half ton additional capacity; also special fees for trailers, carriers, etc. The Louisville, Ky., fee applies only to trucks, semi-trucks, and trailers with the license fee based on the gross weight ranging from $6 up to 10,000 lbs. up to $24 for more than 30,000 lbs. Paducah, Ky., has a fee of $5 for passenger cars and trucks of one-ton capacity and $3 for each additional ton; motor bikes and motorcycles are $1. In Little Rock, Ark., $5 for each vehicle raises $91,000 a year. Asheville, Winston-Salem, and Durham, N.C., have a $1 license per car. In Memphis a $3.25 rate for passenger cars and $10 to $100 for trucks raises $316,000 a year.

Administration. An inquiry sent to the officials of 10 selected cities reveals that the tax is not considered an impost on the automobile but rather a payment for the privilege of using the streets. In six of the 10 cities the local vehicle license tax applies to nonresidents who use the city streets in connection with their business or regular profession or as a means of getting to and from their job in the city: Norfolk, Richmond, Evanston, Louisville, Knoxville, and Paducah. The tax does not apply to nonresidents in Kansas City, Durham, University City, and Little Rock.

Several cities report considerable difficulty in locating ownership of cars registered outside the city and in ferreting out business usage by nonresidents in metropolitan areas. A Paducah ordinance imposing the license tax on nonresidents whose use the city streets in connection with a business or regular profession within the city limits or as a means of conveyance to and from a job in the city has been held valid in the courts.

With regard to licensing intercity vehicles, Evanston requires out-of-city trucks delivering food for local consumption to get city licenses; Louisville requires trucks and buses to be licensed if frequency constitutes regular operation in the city. Norfolk and Richmond license intercity vehicles where not prohibited by state law.

Applicants for local vehicle licenses must give the state vehicle license for the current year in Louisville, Little Rock, Durham, Knoxville, Paducah, Richmond, but not in Chicago, Evanston, Kansas City, and Norfolk. City officials check registration books of the state vehicle license office to see that all local car owners pay the city fee in Louisville, Little Rock, University City, Knoxville, Paducah, and Richmond. This is not done in Durham, Kansas City, and Norfolk, and only to a certain extent in Evanston.

Several administrative methods that have proved effective in enforcing the tax were reported. Usually police conduct a "drive" to remind motorists to get their licenses which are evidenced by stickers on the windshield or small tags attached to the state license tag. Warnings are given first and if licenses are not bought by a certain date traffic tickets calling for a fine are given out. Chicago, Kansas City, and University City allow vehicle owners to apply for licenses by mail, Kansas City having developed an envelope-type application for this purpose.

(OVER)

Evanston's municipal testing or inspection station assists greatly in enforcing the ordinance because a car without a local license tag will not pass the inspection lane. Kansas City requires that all personal property taxes of the applicant be paid before the license can be granted. If such taxes have not been paid the application is returned together with a statement of delinquent personal property taxes with a letter stating the reason and requesting remittance to cover both items.

Appraisal. The auto license tax should apply to trucks, trailers, and other vehicles as well as to passenger cars and should be levied on nonresident owners of motor vehicles who regularly use the city's streets although this adds to the difficulty of administration. This tax can be better administered as a state-collected, locally shared weight or horsepower tax, with proceeds distributed back by domicile.

Note: Cities subscribing to MIS may secure on request loan copies of typical ordinances and forms for any of the four taxes discussed in this report and typical regulations for the admissions and cigarette taxes.